



Democrats' New Direction for America:
A Growing Economy that Benefits
Every American Family

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The U.S. economy has been growing since the end of the 2001 recession. In 2004, gross domestic product (GDP) – the best measure of the economy – grew by 3.9 percent. In 2005, it grew by 3.2 percent.¹ No one disputes the basic fact that the economy is growing (although, in past economic recoveries, GDP growth has averaged a more robust 4.2 percent.²)

But for most Americans, growth in GDP doesn't mean much when basic expenses are increasing and paychecks are shrinking. And since 2001, that is exactly what has happened. During past periods of economic growth, most Americans have benefited – their paychecks got bigger and they were more likely to receive benefits like health coverage. But not in the Bush economy.

Americans of all political stripes understand this problem. A recent Pew Research poll found that 59 percent of American workers feel they have to work harder to earn a decent living than did workers 20 or 30 years ago.³ Just about the only people who *don't* understand the problem are President Bush and Washington Republicans.

"I tell you, I don't know why there hasn't been more discussion and more unhappiness about this because it's become quite distinct. For a long time now, if we believe the statistics, the average working guy does not have an increase in income."

-former Federal Reserve Chairman Paul Volcker
[Bloomberg, 8/3/06]

Democrats don't want to just create an economy that keeps growing. We want to create an economy that keeps growing *and* that benefits *all* Americans when it does. And because Americans are as hardworking and innovative as ever, we believe the right policies can create a good economy for everyone.

What's wrong with the Bush economy?

► **Families are earning less.** Since 2001, median household income has fallen by \$1,300. For households headed by someone under the age of 65, the trend is even worse. Their incomes have fallen \$2,000 since 2001.⁴ Between 2004 and 2005, their incomes fell by \$275. (The median income rose modestly in 2005 because households headed by someone over the age 65 saw income gains from Social Security and investments – *not* from work.) In fact, wages and salaries now make up their lowest share of the economy

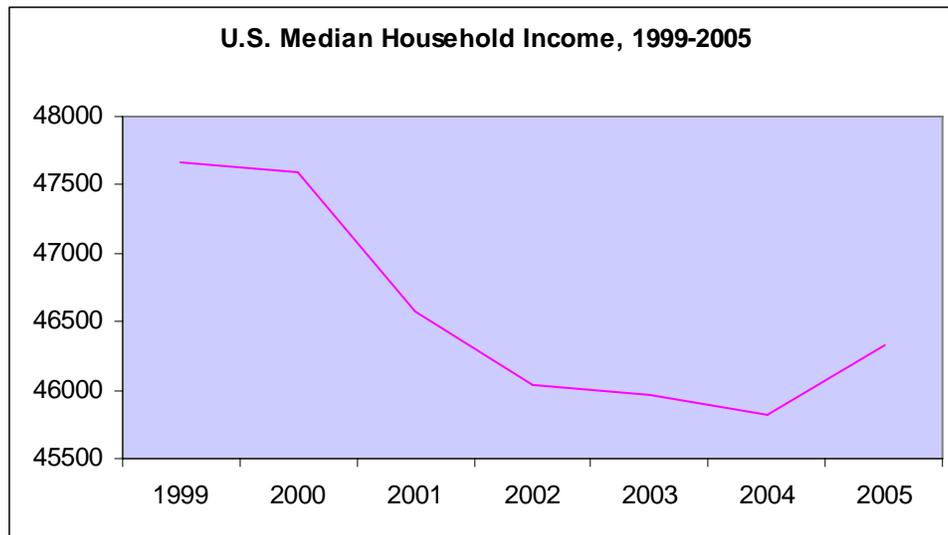
¹ <http://www.bea.gov/bea/newsrelarchive/2006/gdp206p.htm>

² http://www.house.gov/budget_democrats/analyses/07HBC-JEC_joint_doc1.pdf

³ <http://pewresearch.org/social/pack.php?PackID=18>

⁴ <http://www.census.gov/prod/2006pubs/p60-231.pdf>

in nearly six decades.⁵ Meanwhile, corporate profits make up their largest share of the economy since the 1960's.



► **More Americans lack health insurance.** Since 2001, the number of people without any health insurance coverage at all has increased by 6.8 million. The number of Americans without health coverage – 46.6 million – is at a record high.⁶

► **Poverty is up.** Since 2001, the number of Americans living in poverty has increased by 5.4 million, to 37 million. More than one in six American children now lives in poverty. Among African Americans, the poverty rate is 24.9 percent; among Hispanic Americans, it is 21.8 percent.⁷

► **Prices for life's basic necessities are up.** Since 2000, the prices of education, gas, and healthcare have all *greatly* outpaced inflation. Between 2000-01 and 2005-06, tuition and fees at four-year public colleges increased by 57 percent, pushing college further out of reach for American families.⁸ Between 2000 and 2005, the price of regular unleaded gasoline grew by 58 percent.⁹ Between 2000 and 2005, premiums for

“Outsourcing is just a new way of doing international trade. More things are tradable than were tradable in the past. And that’s a good thing.”
--N. Gregory Mankiw, President Bush’s former top economic advisor, Feb. 2004

“We should be using the tax law to encourage companies to keep manufacturing jobs in America. Not only is the Bush Administration forsaking that opportunity, they are applauding companies for shipping jobs overseas. I’m trying to figure out if the Bush administration is just that out of touch, or if they just don’t care.”

--U.S. Rep Sherrod Brown (D-OH), March 2004

⁵ “Real Wages Fail to Match a Rise in Productivity,” *New York Times*, August 28, 2006. Report based on U.S. Commerce Department economic data.

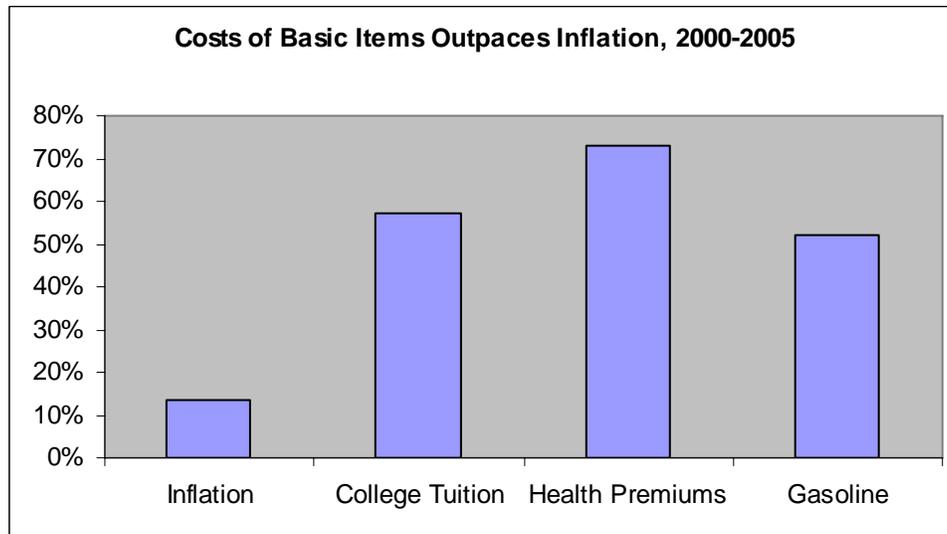
⁶ <http://www.census.gov/prod/2006pubs/p60-231.pdf>

⁷ Ibid.

⁸ http://www.collegeboard.com/prod_downloads/press/cost05/trends_college_pricing_05.pdf

⁹ <http://www.eia.doe.gov/emeu/aer/txt/ptb0524.html>

family health insurance grew by 73 percent.¹⁰ Meanwhile, inflation grew by 13.4 percent between 2000 and 2005.¹¹ When you consider the high costs of housing and child care in much of the country, it is clear that simply paying for the basic necessities is squeezing the budgets of most American families.



► **Job growth is not nearly as strong as it should be.** President Bush and Republican leaders have repeatedly pointed to their job creation record as proof that their policies are benefiting American workers. While it's true that the United States has low unemployment compared with many other industrialized nations, the fact is that President Bush's job creation record has been lackluster. In fact, according to the Joint Economic and House Budget Committees, "employment growth during the Bush Administration has averaged just 42,000 jobs per month. That is the lowest monthly rate for any administration since Eisenhower, when the labor force was much smaller."¹²

Bush/Republican economic policies are leaving most Americans behind

Every day, President Bush and Republican leaders in Congress offer fresh proof of how out of touch they are with the economic concerns of the vast majority of American families. They control the White House, the House, and the Senate, and their economic policies are hurting the ability of American workers to get their fair share of the benefits of a growing economy.

¹⁰ <http://www.kff.org/insurance/7315/upload/7315.pdf>

¹¹ BLS Consumer Price Index, average year-over-year

¹² http://www.house.gov/budget_democrats/analyses/07HBC-JEC_joint_doc1.pdf

- Republican leaders have failed to address the outsourcing of good-paying jobs overseas.
- Republican leaders have refused – for nearly a decade – to raise the minimum wage.
- Rather than acting to make college more affordable, Republican leaders have cut \$12 billion out of the federal student aid programs.
- Despite the rapidly growing cost of health care, Republican leaders have failed to promote affordable health care for all of America’s families.
- Republican leaders have drastically reduced America’s investment in job training and preK-12 education.
- Republican leaders have pledged to renew their efforts to privatize Social Security despite the overwhelming opposition of the American people.
- Republican leaders have failed to seriously address the private retirement security crisis.

Democrats Believe It’s Time for a New Direction for the U.S. Economy

Democrats believe we need a new direction for the American economy. If Democrats gain control of Congress in November, we have pledged to make raising the minimum

“I’ve been in this business for 25 years and I’ve never voted for an increase in the minimum wage. I’m opposed to it and I think a vast majority of our Conference is opposed to it.”

--House Republican Leader John Boehner (R), June 2006

“The minimum wage has not been raised in nine years. Nearly 7 million Americans, mostly adults, would benefit from an increase in the minimum wage to \$7.25. For this Congress to continue to deny them a decent wage for their work is despicable.”

--U.S. Rep. George Miller (D-CA), June 2006

wage one of our top priorities. If you work full-time for the current minimum wage of \$5.15 per hour, you earn just \$10,712 per year. No one can get by on that income.

But raising the minimum wage should be just one part of a plan to make sure that the economy not only grows, but also benefits everyone.

- We need to prevent U.S. employers from undercutting American workers' wages and working conditions by exploiting cheap immigrant labor. For starters, that means the Bush administration must begin to enforce the labor laws already on the books – and Congress must hold the administration accountable when it fails to do its job.
- We need to create and keep good-paying jobs here at home by discouraging outsourcing and encouraging U.S. companies to hire American

workers.

- We need to invest in schools and make college more affordable. Students are graduating from college with record levels of debt. By cutting college loan interest rates in half, we can greatly reduce the cost of those loans for parents and students.
- We need to ensure that all Americans have high-quality, low-cost health care.
- We need a comprehensive energy policy so that families won't be vulnerable to surges in gasoline prices.
- We need to preserve Social Security, so that hardworking Americans can enjoy financial stability in their golden years. We also need comprehensive reforms of the nation's private pension system.

The Center for American Progress recently found that the typical American family had to work longer than it has had to work at any point in the last 25 years to afford the costs of housing, transportation, college, and healthcare.¹³ It's clearly time for a new direction for the U.S. economy. ***Democrats will fight for an economy that works for everyone.***

Prepared by the Democratic Staff of the House Education & the Workforce Committee
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[http://edworkforce.house.gov/democrats/
202.225.3725](http://edworkforce.house.gov/democrats/202.225.3725)

¹³ http://www.americanprogress.org/atf/cf/%7bE9245FE4-9A2B-43C7-A521-5D6FF2E06E03%7d/MIDDLE_CLASS_SQUEEZE.PDF